Turning forest waste into energy

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In the last issue of *Rural Cooperatives*, I discussed some of the new energy programs available at USDA Rural Development. One of these programs, the Renewable Energy Systems and Energy Efficiency Improvements Program (also know as the Section 9006 Program), was established by the 2002 Farm Bill. This program is part of the larger initiative by the Bush Administration to focus on the country's energy needs with a new emphasis on renewable energy.

We have all witnessed the devastation as a result of Hurricanes Katrina and Rita and the effect the aftermath has had on energy costs. This recent tragedy highlights the need for a new energy policy.

Although the Section 9006 Program has been making grants for the past two years, this year a guaranteed loan program has been added. Before the end of the fiscal year, two projects qualified and received loans. One of these is a 20 megawatt, wood- fired biomass plant purchased, refurbished and relocated to a site leased by Abitibi Consolidated. The new plant, 17 miles west of Snowflake, Ariz., will be adjacent to an existing paper mill and will be fueled by a combination of paper fiber from the paper mill's recycling operation and wood waste obtained through contracts with the USDA Forest Service and other local milling operations.

The partnership with the Forest Service is part of the Healthy Forest Initiative. The power output from the facility will be sold to Salt River Project and Arizona Public Service, two of Arizona's utility companies. The parties have entered into two, 10–year power purchase agreements and will purchase 10 megawatts at 7.5 cents per kilowatt hour.

For this $23 million project, a local bank submitted an application for $16 million to USDA Rural Development. The Section 9006 program is only authorized to fund up to 50 percent of the eligible project costs. To make the project a reality, a $10-million loan was guaranteed through the Section 9006 program while a $6-million loan was guaranteed through USDA's Business & Industry (B&I) Guaranteed Loan program. The balance was provided by the borrower.

In addition to producing renewable energy, there is another benefit to the community. About 460,000 acres of ponderosa pine trees from the 2002 Rodeo-Chediski Fire in northern Arizona and timber from local overgrown forests will be burned by the plant. Overgrown forests are the result of a forest having too many small diameter trees per acre. The extended drought in the region has created a similar environment to the one they faced before the forest fires in 2002. This new plant will provide a use for the unused trees and the timber from the overgrown forests, thus alleviating a potential fire hazard.

Finally, the project will save existing jobs and create new ones in the local community. The positive impacts are endless.

A biomass powerplant is being built adjacent to this papermill in Arizona. The biomass plant will produce 20 megawatts of electricity from mill and forest wastes.

USDA Rural Development will continue to look for ways to provide funding for projects which have a positive financial impact on rural America and provide new sources of energy. Now, more then ever, we all need to find ways to both conserve and use new sources of energy. This is President Bush's charge, and I am proud of the work Rural Development is doing to answer the call. ■